WHAT'S TRENDING IN BEVERAGE ALCOHOL

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San Diego, CA

NIELSEN MEASURES WHAT PEOPLE WATCH AND BUY

What - Where - When - Why - Who

Context Matters

the set of circumstances or facts that surround a particular event, situation, etc.

IT'S THE …ATIONS

- FRAGMENTATION / LOCALIZATION
- STRUCTURAL CONSOLIDATION
- PREMIUMIZATION
- INNOVATION

ON MANY ECONOMIC FRONTS POSITIVE NEWS, BUT CONSUMERS STILL STRUGGLING WITH UNCERTAINTY

Nielsen 125 category composite

CPG	3 YAG	2 YAG	1 YAG	Current
DOLLARS	+2.2%	+1.5%	+2.5%	+2.0%
VOLUME	+0.6%	+0.2%	+/-0%	+0.3%

nielsen

Source: Nielsen - Total U.S. All Outlets Combined (XAOC + Convenience), All Departments, All Brands (UPC); 52 weeks increments, % change vs. year ago
YTD through 7-2-2016

WHAT'S GOING ON AROUND US…

- …a more diverse, demanding, and fragmented consumer
  - Income – shrinking middle class
  - Multi-cultural - less white all the time
  - Generational – Millennials (leading, trailing), GenX, Boomers, Seniors
  - Demanding more/diverse styles and flavors;
    more local choices; better eating/drinking experiences
- …technology changing everything
  and lowering some barriers to entry

- …legal challenges/changes, including route to market


USA TODAY

States consider changes in liquor, beer, wine laws

- …got to be quick, nimble, flexible – SMALL can often be good or better than BIG

RETAILING FROM ONE END TO THE OTHER

99¢ only Stores
DOLLAR GENERAL
FAMILY DOLLAR
WinCo FOODS
Save a lot food stores
valuland Quality Food, Low Prices!
ALDI
Joe V's SMART SHOP
LIDL
PRICE RITE
Ruler FOODS

THE FRESH MARKET
WHOLE FOODS MARKET
201central wine, beer & specialty food
Roche Bros.
GIANT EAGLE MARKET DISTRICT
FIELDS FOODS it's in our nature
Wegmans
FRESH THYME FARMERS MARKET
SPROUTS FARMERS MARKET
Fry's Signature Marketplace
CENTRAL MARKET
TRADER JOE'S
GELSON'S THE Super MARKET
MARIANO'S
Stew Leonard's Wines
Bristol Farms An Extraordinary Food Store.®
Kroger Marketplace
Culinaria A Schnucks Mar
LUNDS&BYERLYS KITCHEN SHOP · EAT · DRINK · EXPLORE


201central
wine, beer & specialty food


Walgreens
AT THE CORNER OF HAPPY & HEALTHY


WHOLE FOODS
MARKET


HyVee


FIELDS FOODS


Central Market
REALLY INTO FOOD
THE CAFÉ AT CENTRAL MARKET


LUNDS&BYERLYS
KITCHEN
SHOP · EAT · DRINK · EXPLORE

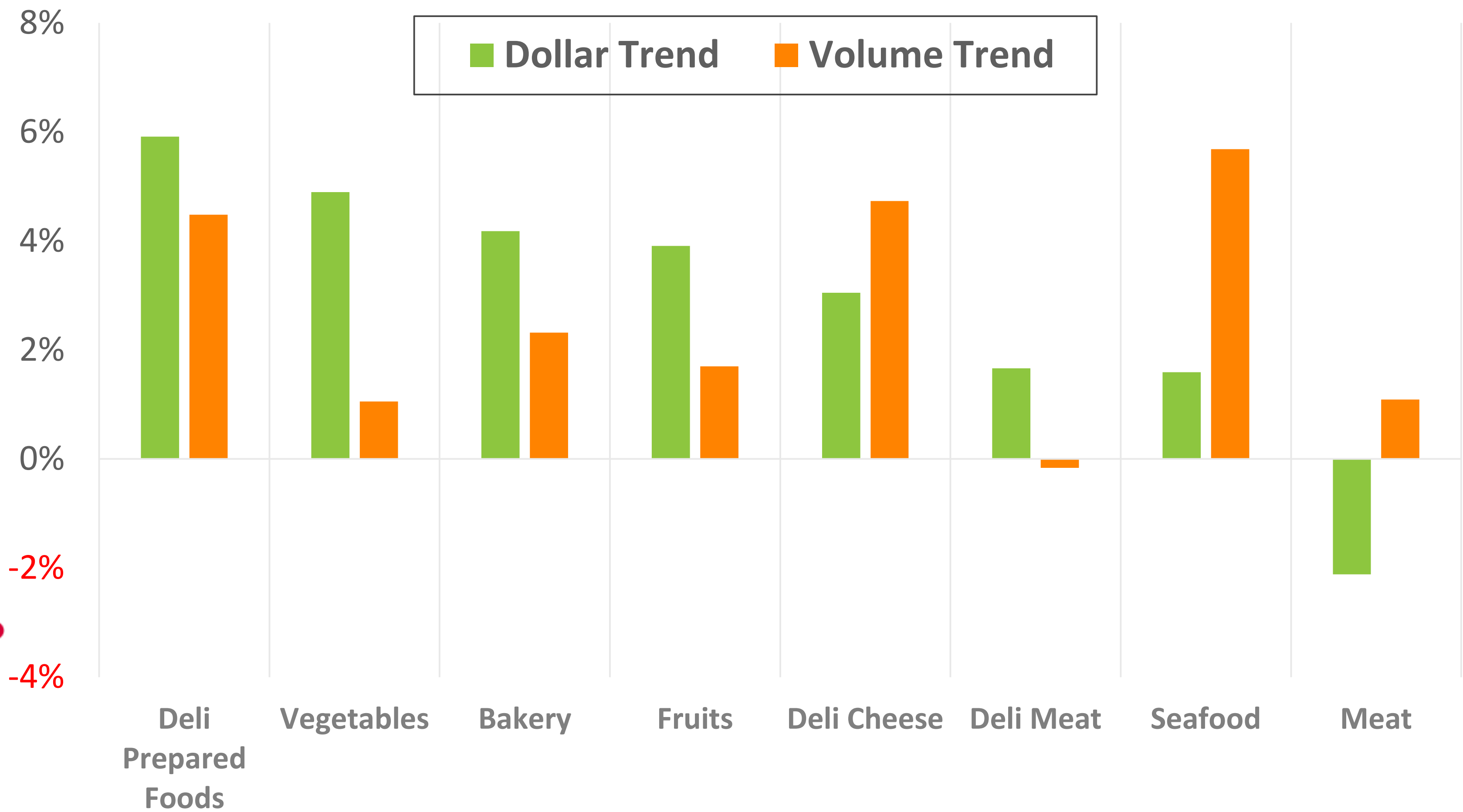

MARIANO'S


Wegmans


WINE & BEER
Kroger Marketplace

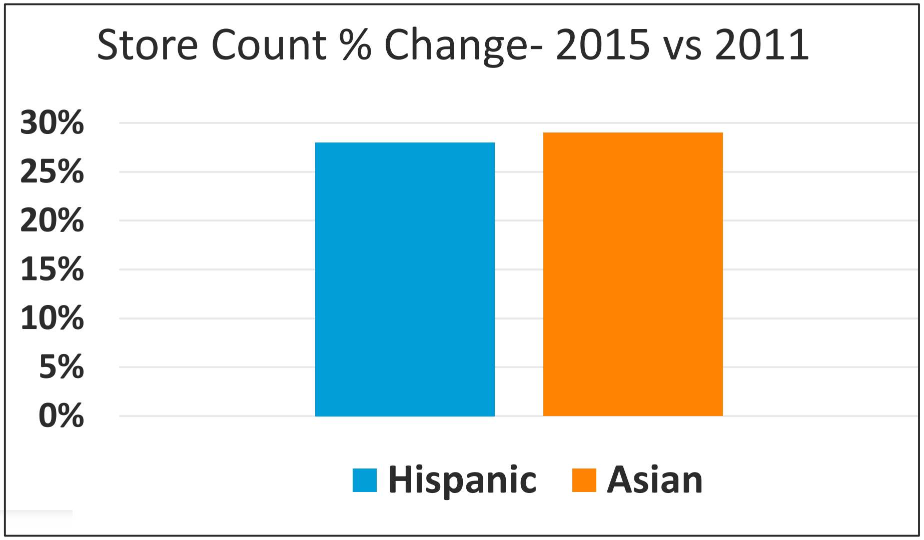
CONNECTING TO FOOD…

CONSUMERS FLOCKING TO FRESH - GOOD FOR MANY BEV AL CATEGORIES



Source: Nielsen Perishables Group FreshFacts, Total U.S., 52 weeks ending 5/28/2016 (vs. year ago)

GROWTH IN GROCERY STORES SERVING MULTI-CULTURAL CONSUMERS



Source: Nielsen TDLinx – Dec 2015 vs Dec 2011

AND FROM SOME OF THESE LIQUOR STORES …

TO SOME OF THESE…

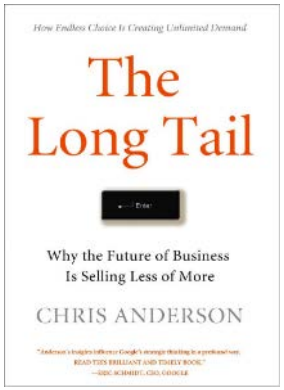
PRODUCT

CONSUMER

RETAILER

BEV AL FRAGMENTATION AT A FURIOUS PACE

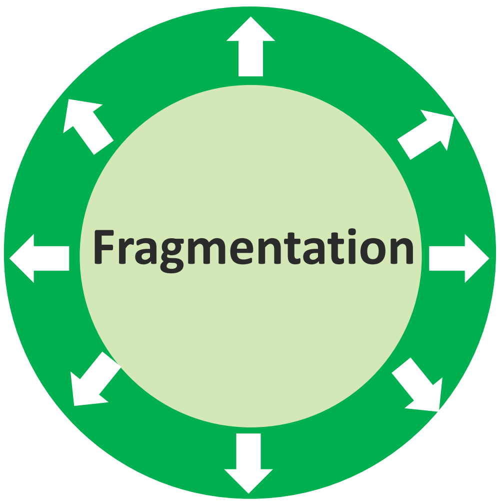
The top 25 brand profile – smaller and changing…

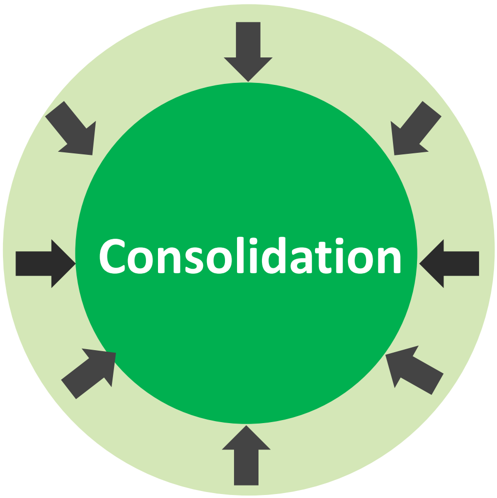


	2010 TOP 25 BRANDS			
	Share in 2010	**Share in 2015**	**2015 TOP 25 BRANDS**	**Volume of 1 share point**
Beer	77.0%	68.7% (19 declining)	70.3%	30MM 2.25 gallon case
Wine	49.8%	44.0% (17 declining)	47.5%	3.3MM 9L case
Spirits	43.7%	38.0% (14 declining)	42.2%	2.2MM 9L case

Source: Beverage Information (2015 Advance Handbook)

FRAGMENTATION + CONSOLIDATION FORCES





Consumers
Technology
Innovation
Channels/Retailers
Media

Suppliers
Distributors
Retailers

WINE AND SPIRITS WINNING THE BATTLE FOR $220 BILLION OF CONSUMER SPENDING

	Beer	Spirits	Wine
$ Share Change Adult Beverage (2015 vs 2005)	-5.0	+4.4	+0.6
$ Share 2015	48%	37%	15%

Off Premise Share	Volume	Dollars
Beer	77%	57%
Wine	82%	59%
Spirits	80%	51%

Source: Beverage Information Annual 2015

YOU ARE COMPETING WITH ON PREMISE TOO

Off Premise VOLUME	Off Premise VALUE		On Premise VOLUME	On Premise VALUE
▲ +2.1%	▲ +5.3%	(wine)	▼ -1.1%	▼ -0.3%
▲ +0.9%	▲ +3.6%	(beer)	▼ -2.4%	▼ -0.4%
▲ +3.1%	▲ +6.3%	(spirits)	▲ +1.9%	▲ +2.7%

nielsen Source: Nielsen Off Premise channels – thru 6-18-2016

nielsen | CGA Source: Nielsen CGA On Premise channels – 52 w/e 6-18-2016

ON PREMISE SIGNIFICANTLY CHALLENGED

1. Cost/value of drinks under more scrutiny
2. Pre-drinking/gaming/partying
3. More off premise "in store" eating/drinking options
4. Ease of getting a take home prepared meal from off premise
5. Convenience of online 'meal kit' shopping/ordering – technology enabled
6. New – and quicker/mini assortment - on premise options (e.g fast casual)
7. "Take out" on the rise
8. Unfavorable exchange rate for visitors
9. Smoking bans on premise
10. Drinking/driving laws
11. Graying of America – older people 'go out less'
12. Traditional (beer led) neighborhood bars closing
13. AirBnB moving consumers away from hotels (and their bars)
14. Brewpubs opening at a fast pace

NIELSEN RETAIL CHANNEL MEASUREMENTS

xAOC (Expanded All Outlet Channel) Total U.S.

Food
Grocery Stores $2 Million+ annual ACV

Drug
Walgreens, Rite Aid, CVS

Select Mass Accounts
Target, Kmart, ShopKo

Walmart
All store types

Select Club Accounts
BJ's, Sam's

Select Dollar Accounts
Dollar General, Family Dollar, Fred's Dollar

Convenience

Military Accounts
AAFES, NEXCOM, MCX

Liquor

Eating and Drinking
restaurant (fine dining; casual); bars

Control States
integration on Nielsen dbases

E-commerce (2016-2017

Off Premise Retail Sales measurement:

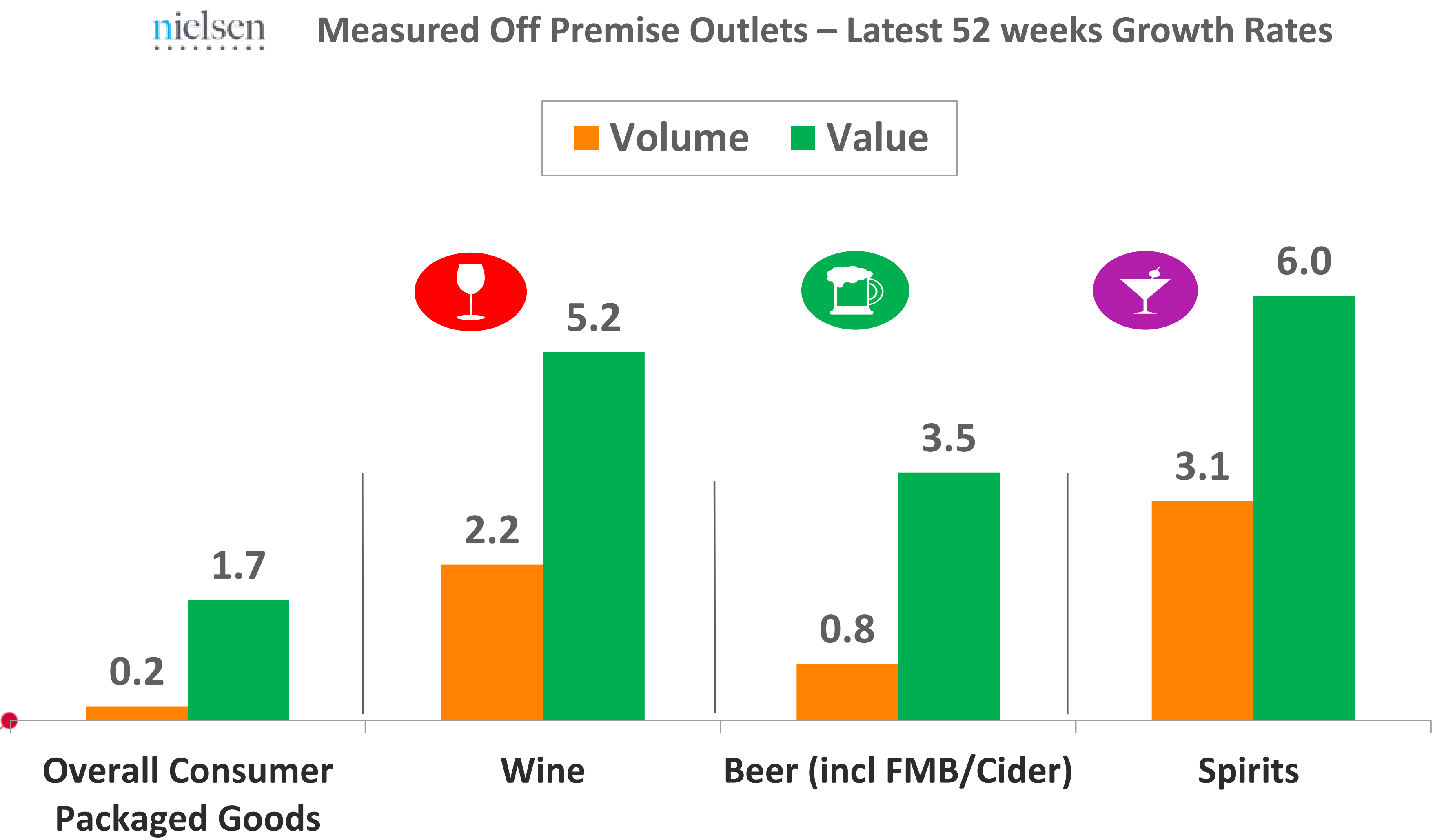
- **Wine: $16 Billion/184MM 9L cases**
- **Spirits: $14 Billion/81 MM 9L cases**
- **Beer: $37 Billion/1.6 B 288 oz cases**

PLUS

- **Consumer/Shopper Insights**
- **Outlet level database**

7 Liquor market geographies (New York City, Northern New Jersey, Florida, Massachusetts, Maryland, Colorado, Minnesota)
Plus **15 Liquor chain retailers** across the country

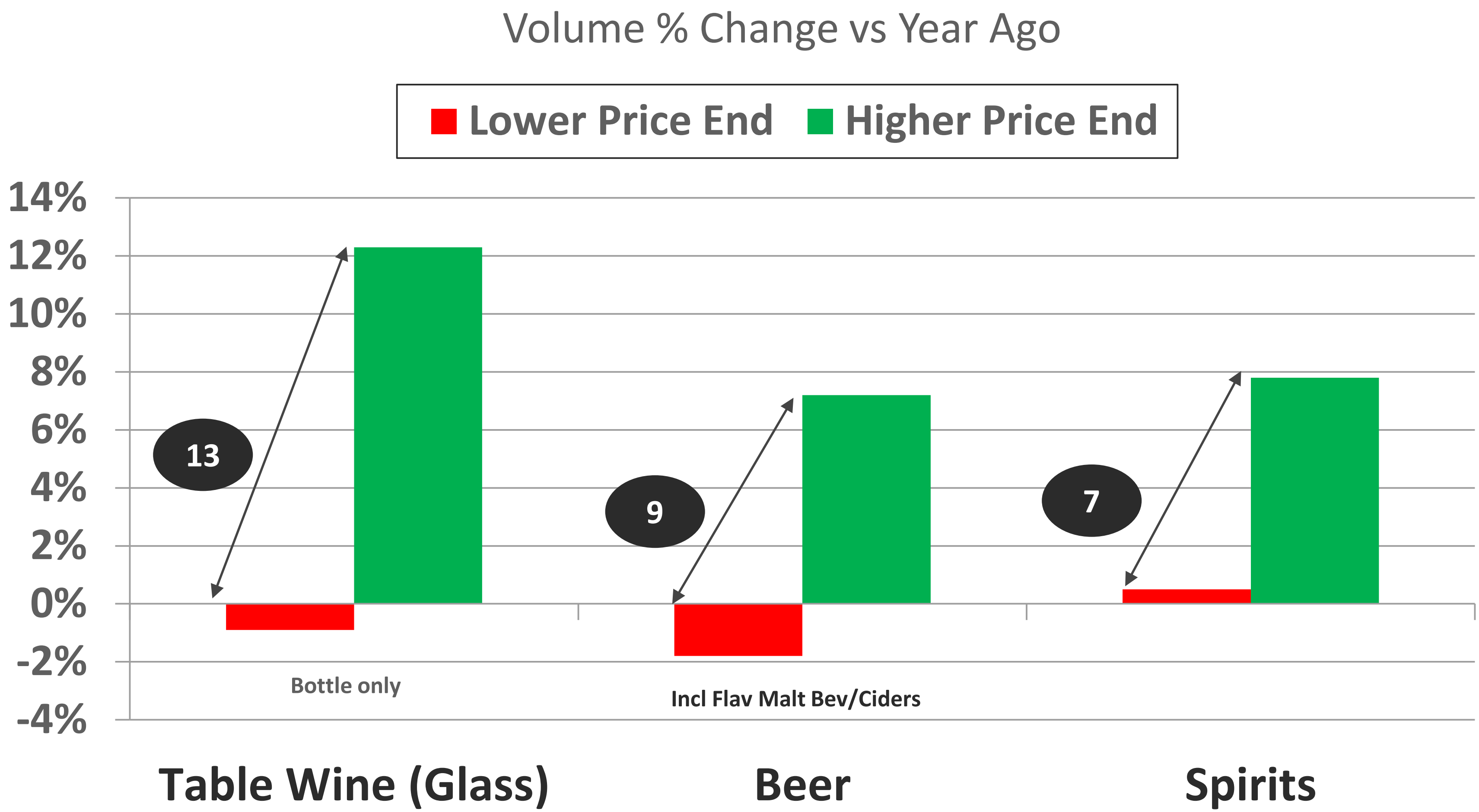
BEV AL GROWING OFF PREMISE – PRICE/MIX RISING



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 8-13-2016-2016; Overall CPG thru 7-30-2016
Beer includes Flavored Malt Beverages and Ciders
Growth ranking compared to 125 Nielsen measured consumer packaged goods categories

CONSUMERS TRADING UP OFF PREMISE

…but, only very limited opportunities to take price up on a brand



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52w/e 6-18-2016

BEVERAGE ALCOHOL DEPT IS CRITICAL TO SALES AND GROWTH OF MULTIPLE CATEGORY RETAILERS

125 categories

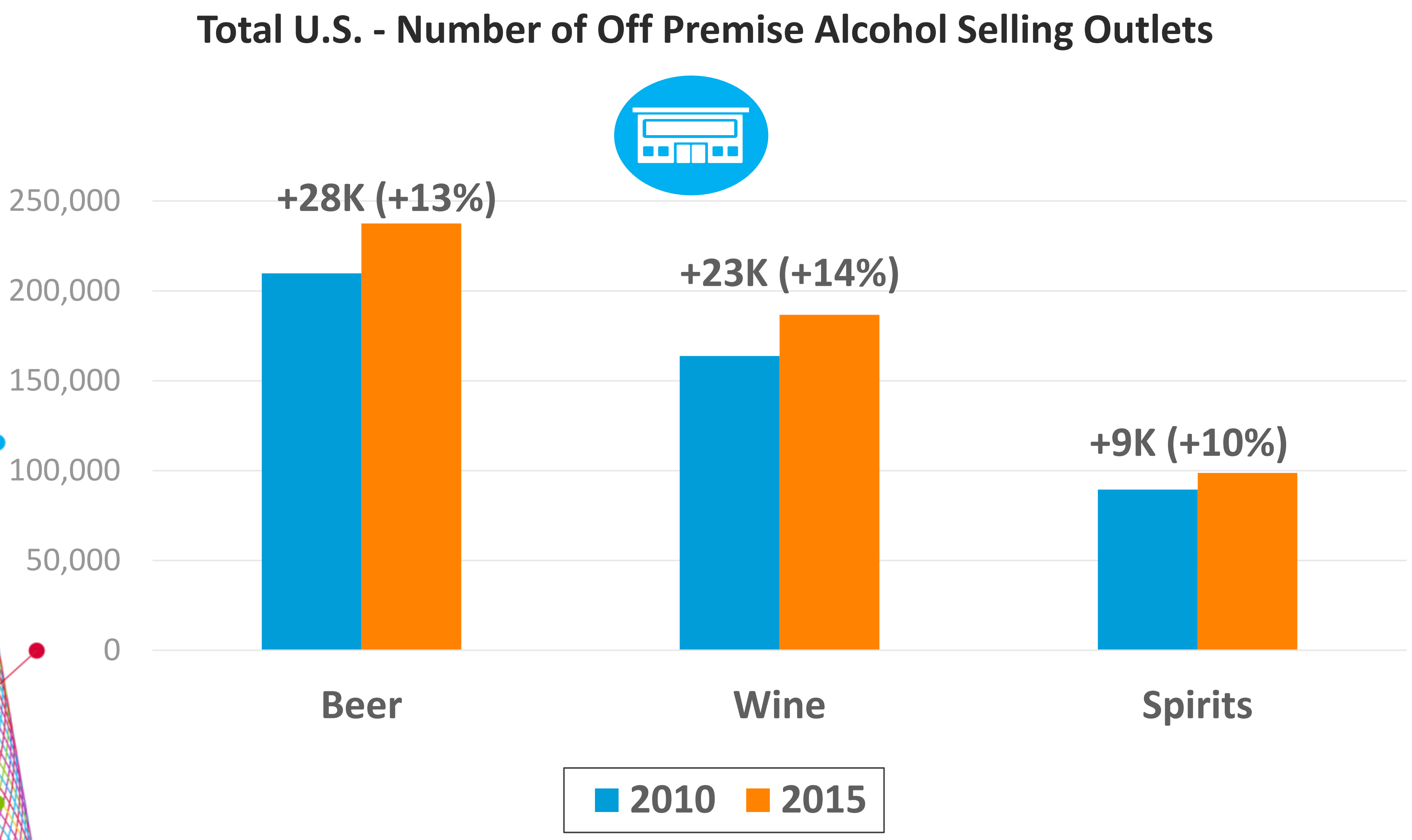
SCORECARD

% Growth (dollars)	#19	#9	#8
Absolute $ Change	#3	#7	#14
Dollar Size*	Top 5	Top 10	Top 19

* Where sold

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016; Overall CPG thru 7-2-2016
Beer includes Flavored Malt Beverages and Ciders
Growth ranking compared to 125 Nielsen measured consumer packaged goods categories

INCREASING APPETITE FOR BEVERAGE ALCOHOL IS EXPANDING RETAIL AVAILABILITY TO THE CONSUMER



Nielsen TDLinx (December of each year)

BEER SEGMENT TRENDS

HIGH END DRIVING GROWTH BUT CRAFT DECELERATING
MAINSTREAM BEER STILL BIG, BUT STRUGGLING

Sales Share		Sub-category	Value % Change	Volume % Change	Avg Price Per 288 oz case
Value	Volume				
100%	100%	Ttl Beer/FMB/Ciders	+3.8%	+1.1%	$23.00
38.5	43.2	Premium	+0.1	-1.1	$20.49
15.0	21.9	Below Premium	-1.8	-2.6	$15.83
17.9	13.9	Imports	+10.3	+8.1	$29.50
11.2	8.8	--Mexico	+16.0	+13.4	$29.17
1.2	0.7	--Belgium	+12.5	+13.4	$38.59
13.1	8.3	Crafts slowing	+12.2	+8.0	$36.20
6.6	4.7	Flav. Malt Beverages	+6.3	+8.2	$26.46
6.1	5.3	DM Super Premium	+9.0	+8.2	$26.46
1.3	0.8	Ciders	-5.4	-8.4	$36.56

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

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Grocery – 24%

>40%: Portland, S Diego, Wash DC
35-40%: Seattle, Denver, SF, Sac

Liquor – 31%

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

WHAT'S GROWING IN CRAFT BEER?

Styles: IPA

India Pale Ales: still largest style and growing, up +31% in dollars

Flavored IPA

Only 5% of IPA dollars, but grew 393% in last year

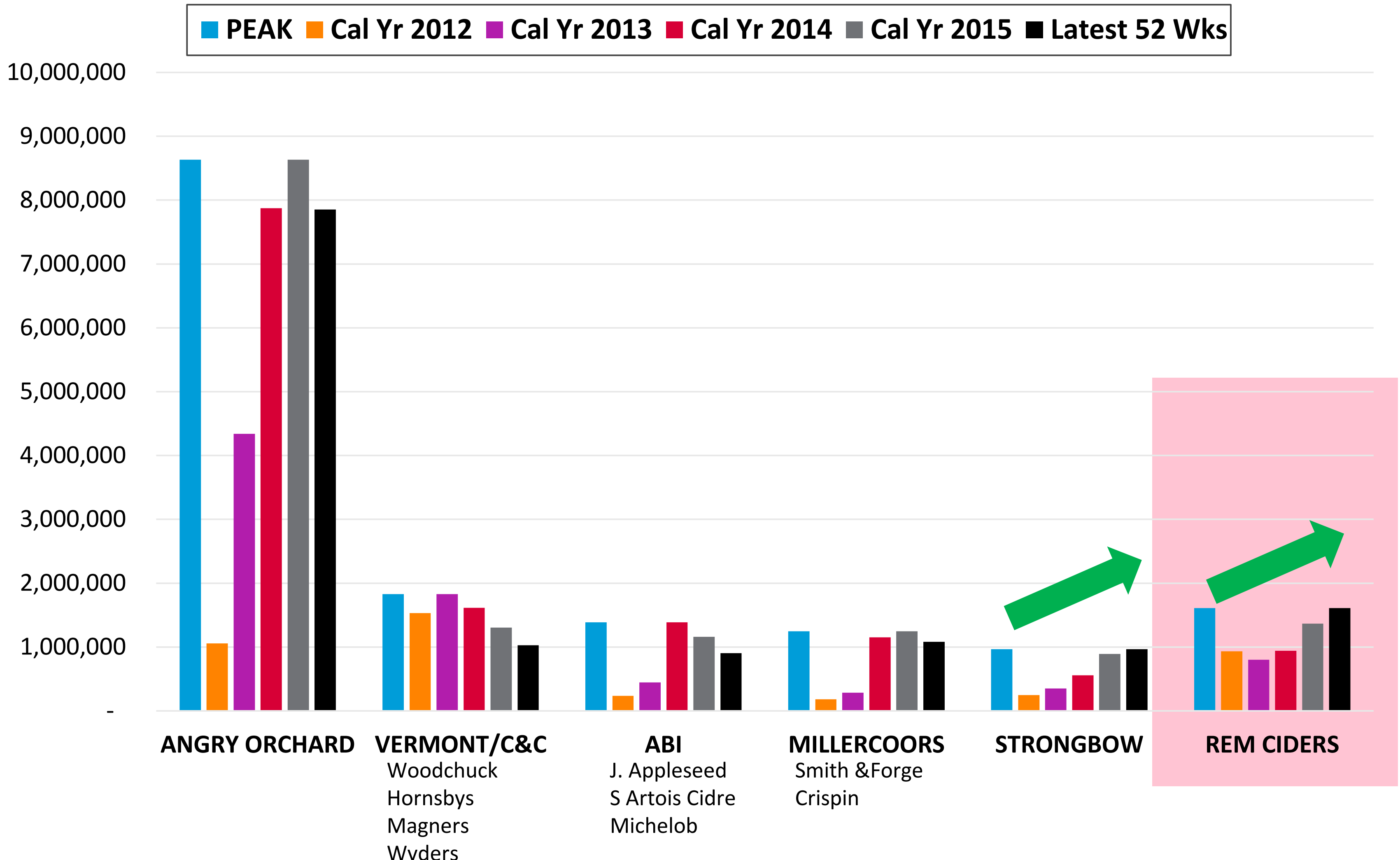
Cans

Now up to 15% of Craft vs 4% 4 years ago; growing 52%

AND LOCAL, LOCAL, LOCAL!!!

Source: :Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 wks ending July 16, 2016; and 52 weeks ending 8/13/16 for flavored IPA volume

OVERALL CIDER DECLINES ARE PRIMARILY DUE TO SOME 'BIGGER' BRAND DECLINES

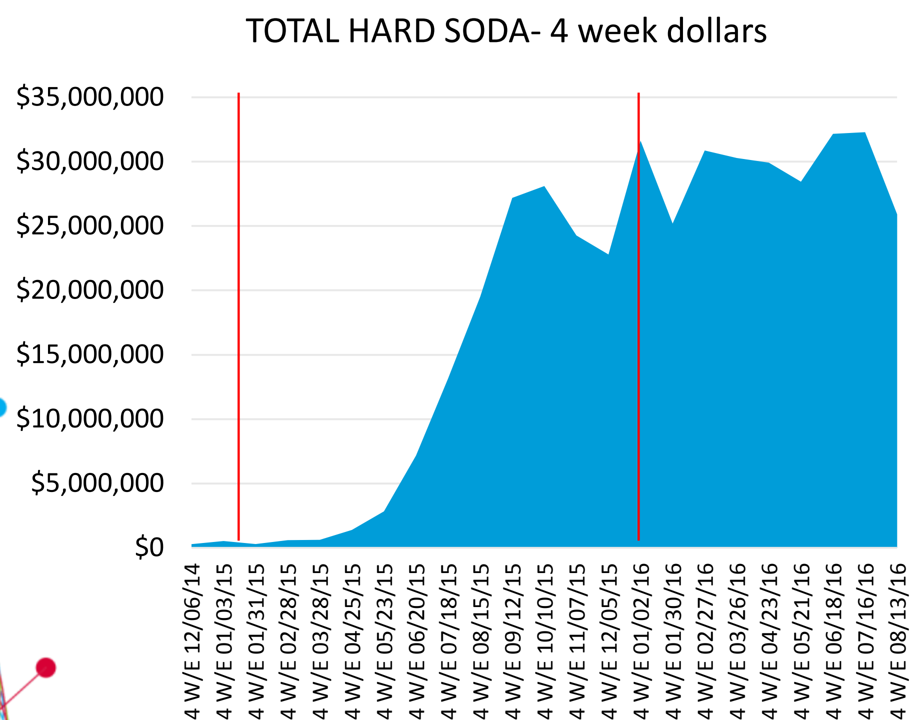


Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 8-13-2016

HARD SODAS

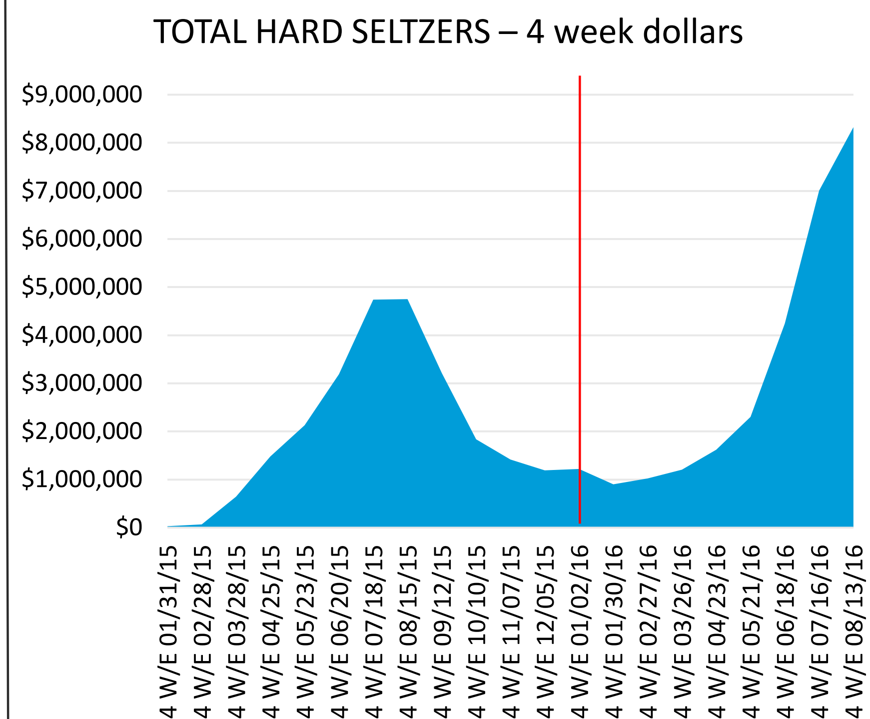
Annual: $369MM

- New flavor intros/rotation
- Is growth plateauing?



HARD SELTZERS

Annual: $36MM



Relative to:

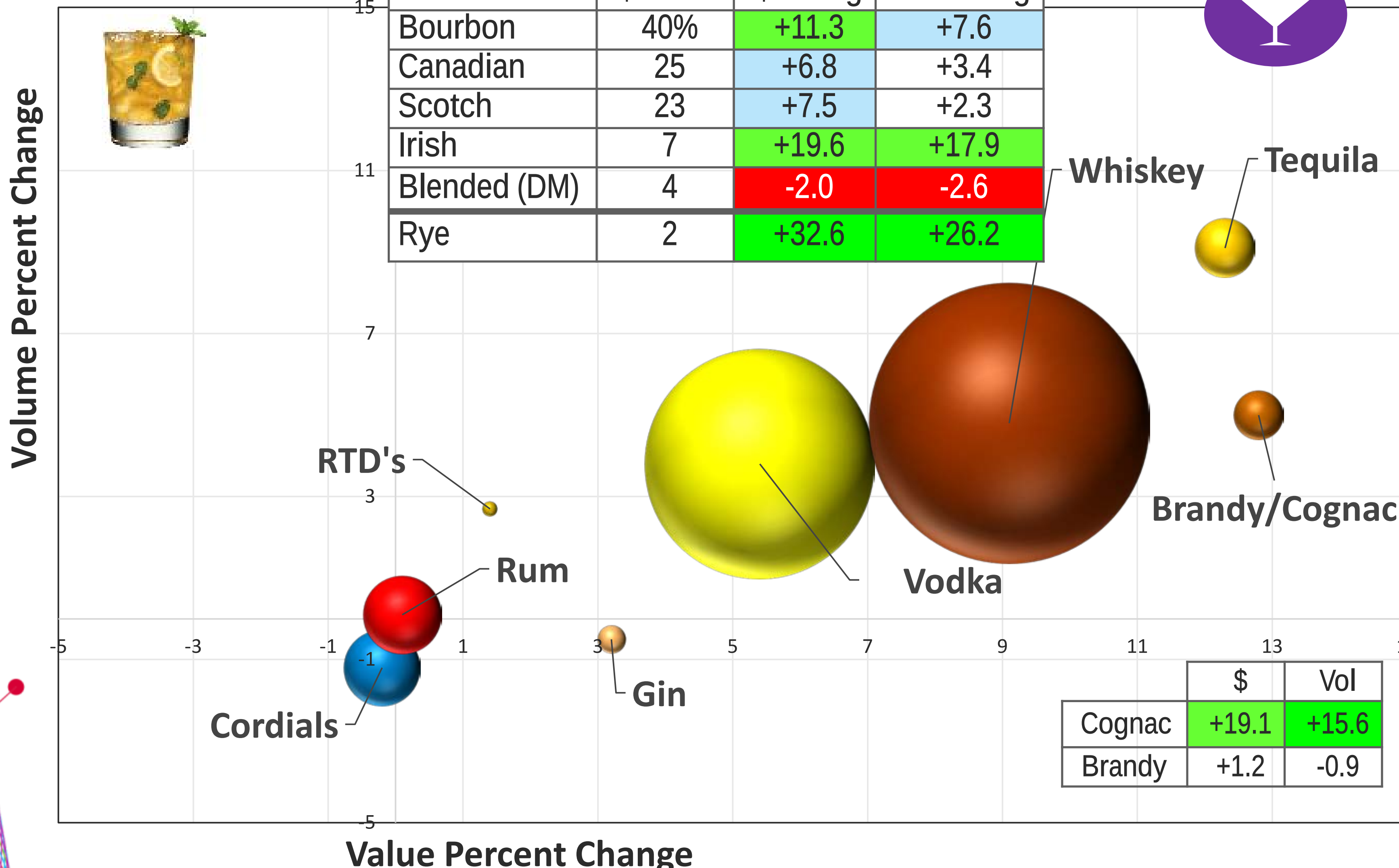
ALL Flavored Malt Beverages:	**$2.7 billion**
ALL Craft Beer:	**$4.9 billion**
ALL Ciders:	**$500MM**

nielsen Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 8-13-2016

SPIRIT SEGMENT TRENDS

BROWN AND TEQUILA LEADING THE WAY

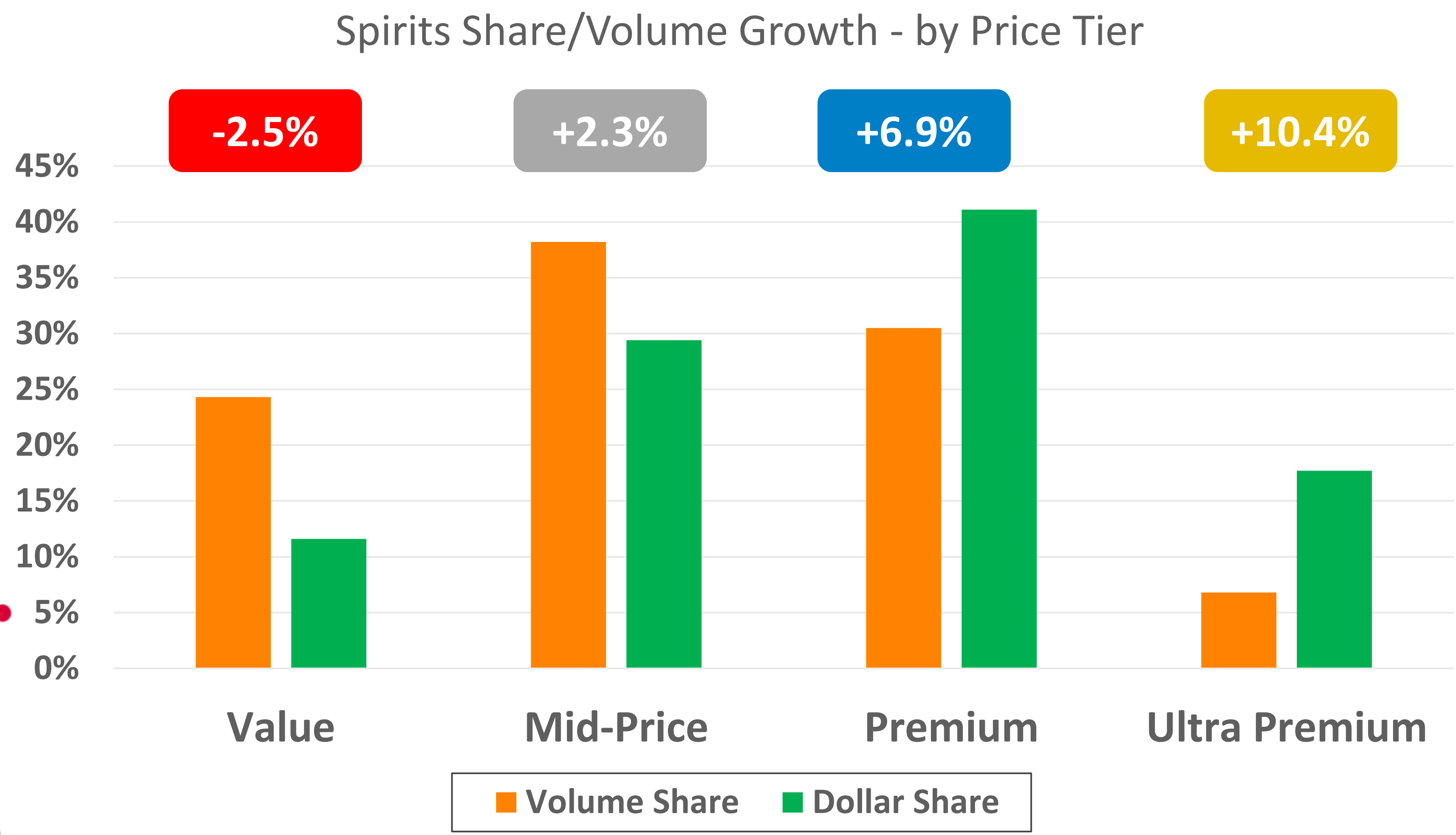
WHISKEY	$ Share	$ % chg	Vol % chg
Bourbon	40%	+11.3	+7.6
Canadian	25	+6.8	+3.4
Scotch	23	+7.5	+2.3
Irish	7	+19.6	+17.9
Blended (DM)	4	-2.0	-2.6
Rye	2	+32.6	+26.2



	$	Vol
Cognac	+19.1	+15.6
Brandy	+1.2	-0.9

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016 (Bubble = Annual $ Size); Table Wine

SPIRITS GROWTH AT HIGHER END – BUT STILL CONSIDERABLE VOLUME BELOW THAT



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016 (Bubble = Annual $ Size); Table Wine

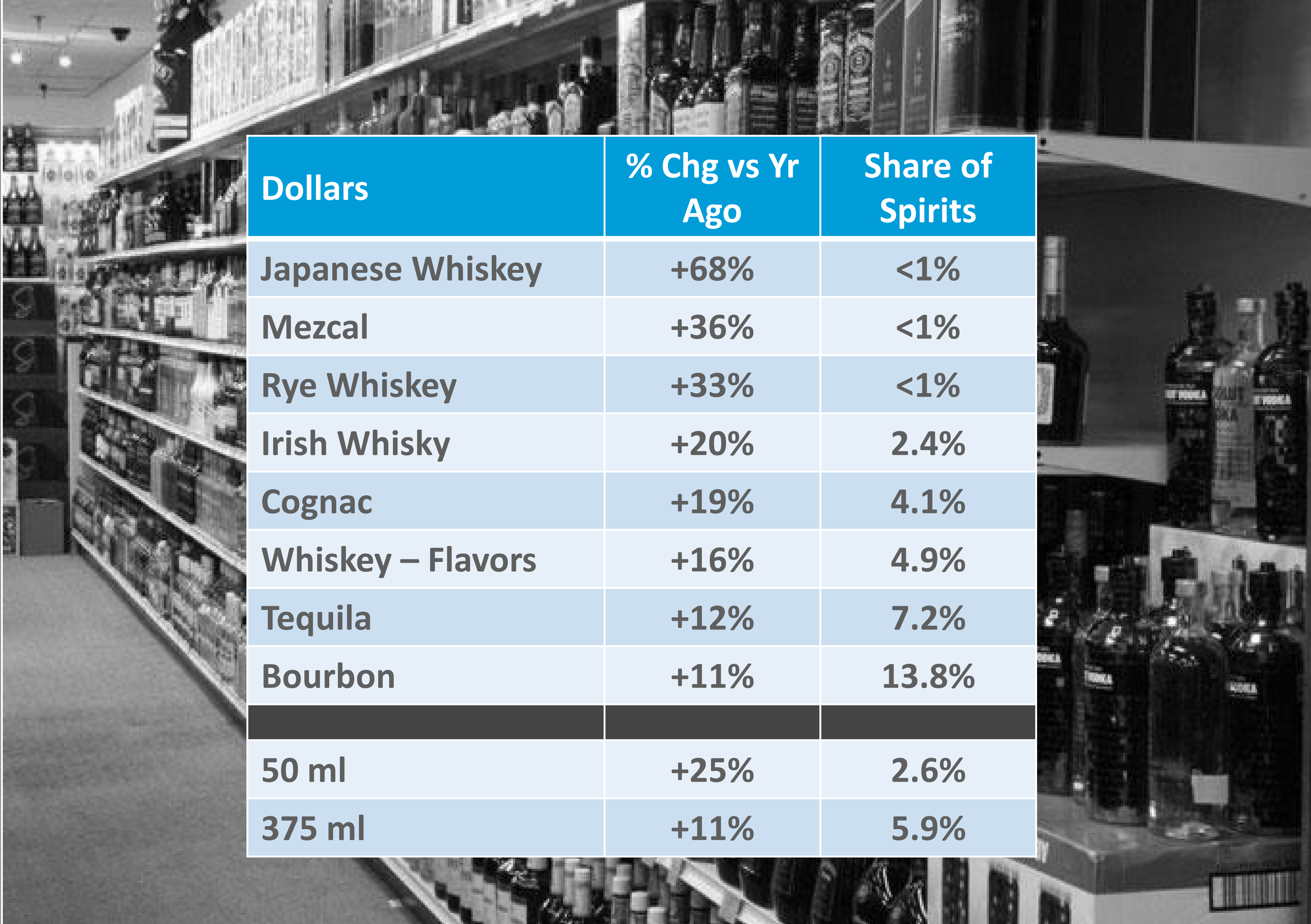
SPIRITS HIGH END GENERALLY PERFORMING BEST – EXCEPT FOR VODKA AND CORDIALS

Latest 52 weeks Volume % growth	Value	Mid-Price	Premium	Ultra Premium	Ultra Prem $ Share
Bourbon	-1.7	+7.2	+5.1	+18.7	33%
Scotch	-3.9	-1.8	+9.3	+10.9	
Canadian	-0.9	-2.8	+8.6	+7.9	
Vodka	-2.2	+3.4	+17.0	+1.5	13%
Rum	-2.2	+0.9	-0.3	+12.5	3%
Cordials/Schnapps	-2.0	+1.4	-2.7	+2.0	
Tequila	-3.2	+10.4	+15.4	+14.8	36%
Brandy/Cognac	+1.3	-0.6	+15.5	+21.1	
Gin	-5.3	-3.7	+3.8	+16.2	13%

>-5% | **0 to -5%** | **0 to +5%** | **+5% to +10%** | **>+10%**

nielsen

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016



Dollars	% Chg vs Yr Ago	Share of Spirits
Japanese Whiskey	+68%	<1%
Mezcal	+36%	<1%
Rye Whiskey	+33%	<1%
Irish Whisky	+20%	2.4%
Cognac	+19%	4.1%
Whiskey – Flavors	+16%	4.9%
Tequila	+12%	7.2%
Bourbon	+11%	13.8%
50 ml	+25%	2.6%
375 ml	+11%	5.9%

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

THE CRAFT SPIRITS FACTS

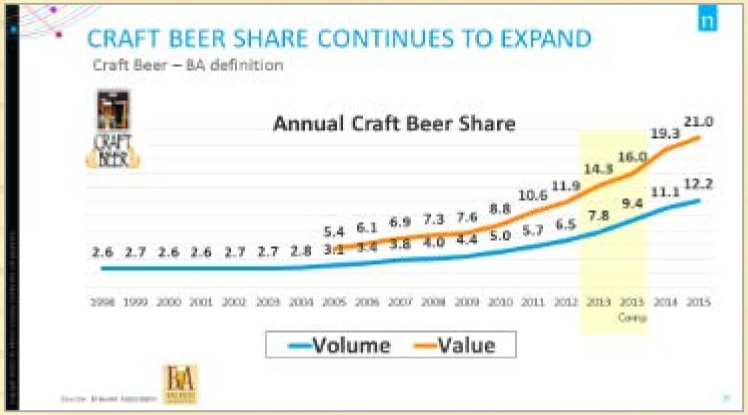
Where we are today…

- Craft is in the eyes of the beholder – and changeable
- Estimated Craft Spirits share
  - 1-2% Volume; 2-3x Value
  - 2-3x that in NA Whiskey
- Growing very fast; on a small base
- Resonating with younger generations in particular (35-44 followed by 21-34)

Source: Spirits (ACSA); Beer (Brewers Association)

What's ahead…

- Craft Spirits –long runway ahead if Craft Beer is any indication, but also some different dynamics



WINE SEGMENT TRENDS

BEYOND TABLE, WINE GROWTH IS COMING FROM SPARKLING, SANGRIA, and SAKE

Sales Share		Wine Sub-Category	Value % Change	Volume % Change	Average Price/750 ml
Value	Volume				
100%	100%	Total Wine	+5.3%	2.2%	$7.06
86.1	87.7	Table Wine	+4.9	+1.9	$6.96
9.2	5.7	Sparkling Wine	+11.4	+9.2	$11.54
1.5	2.2	Flavored Bev Wine	-1.4	-5.0	$4.90
1.2	2.5	Sangria	+9.3	+6.5	$3.46
0.8	0.6	Dessert Wine	-0.9	-2.6	$8.57
0.3	0.3	Vermouth	+4.1	-1.5	$7.50
0.3	0.2	Sake	+7.9	+5.1	$9.25

nielsen Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

SPARKLING SALES CONTINUE TO BUBBLE UP ACROSS MULTIPLE PRICE POINTS AND COUNTRIES OF ORIGIN PROSECCO STILL LEADING THE WAY

Sales Share		Sparkling - Origin	Value % Change	Volume % Change	Average Price/750 ml
Value	Volume				
100%	100%	Total Sparkling	+11.7	+9.6	$11.57
43.2	55.5	U.S.A.	+8.7	+6.7	$9.10
30.1	31.5	Italy	+16.6	+14.2	$11.16
15.7	15.2	-- Prosecco	+30.7	+29.3	$12.09
20.4	5.6	France	+10.4	+10.5	$42.89
18.2	4.1	-- Champagne	+11.0	+10.1	$51.25
5.4	6.6	Spain	+10.8	+9.8	$9.58
8.5	5.1	Rose'	+17.3	+19.1	$19.33

Opportunities:

- Introducing Bubbles to more table wine consumers
- Spreading out season to more than just end of year celebrations
- Achieving greater gender balance

Sales Share		Price Tier	Value % Change	Volume % Change
Value	Volume			
100%	100%	Total Sparkling	+11.4%	+9.2%
1.5	3.9	<$5.00	+18.7	+14.5
15.8	29.8	$4-$7.99	+7.3	+5.2
40.9	45.4	$8-$12.99	+9.2	+7.8
19.2	14.9	$13-$19.99	+20.4	+20.8
3.4	1.7	$20-$29.99	+15.4	+15.8
12.8	3.4	$30-$49.99	+9.4	+8.1
3.7	0.7	$50-$99.99	+17.7	+17.4
2.6	0.2	$100+	+2.6	+3.4

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

BEST GROWTH FROM PREMIUM TIERS – WEAKNESS < $8 BUT STILL IMPORTANT

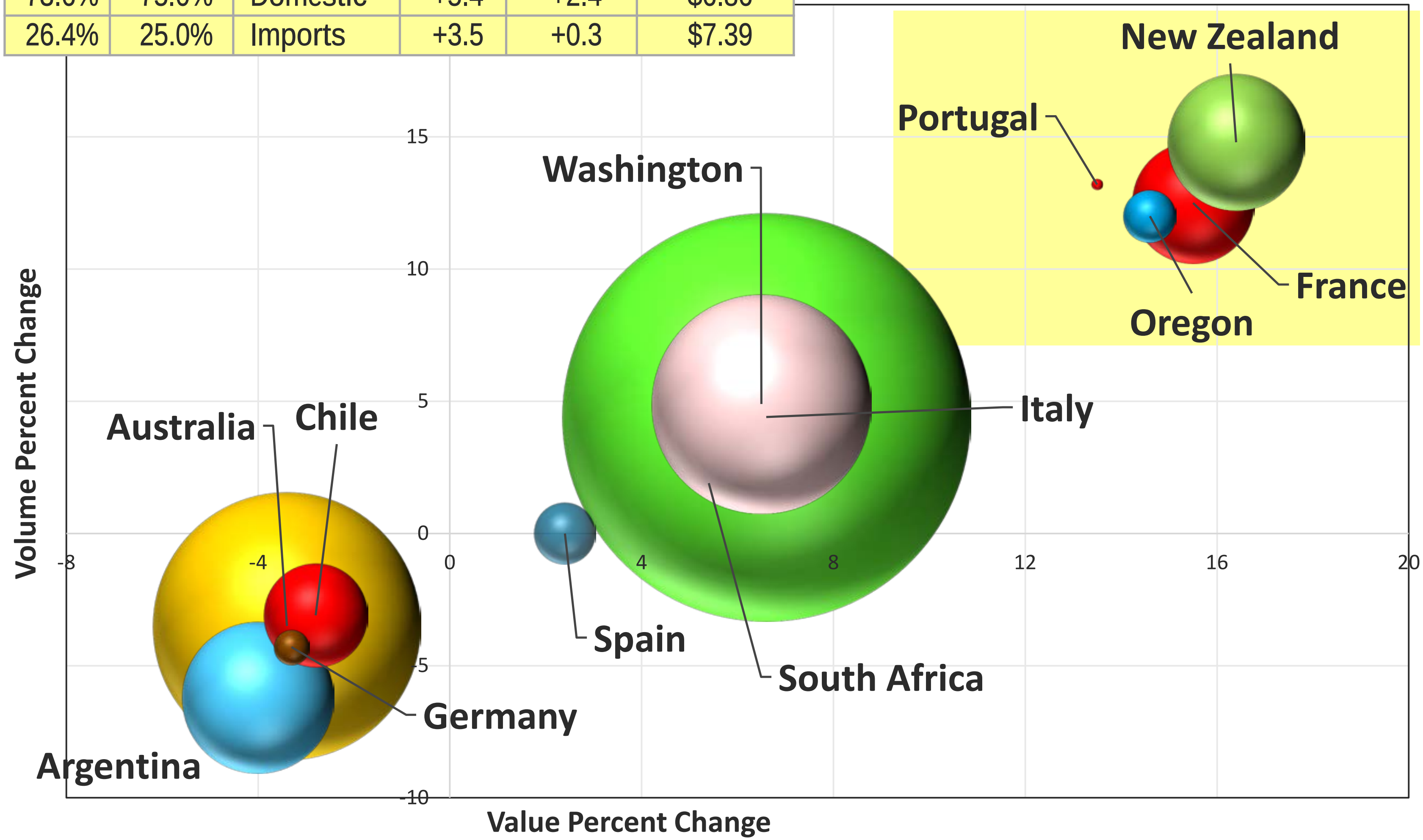
Sales Share: Value	Sales Share: Volume	Price Segment (Eq 750 ml)	Value % Change	Volume % Change	Average Price/750 ml
100%	100%	Total Table Wine Glass	+4.4%		$7.93
6.4	15.6	<$3.99	-3		$3.25
30.0	42.9	$4-$7.99	-2.5		$5.53
27.3	27.1	$8-$10.99	+4.9		$9.38
18.8	11.9	$11-$14.99	+12.1	+12.0	$12.52
8.6	4.0	$15-$19.99	+13.8	+14.2	$16.98
4.1	1.5	$20-$24.99	+10.7	+10.7	$21.53
4.9	1.0	$25+	+9.9	+10.9	$38.44

Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

NZ, OR, FR, PT LEAD – IT, WA, SA NEXT

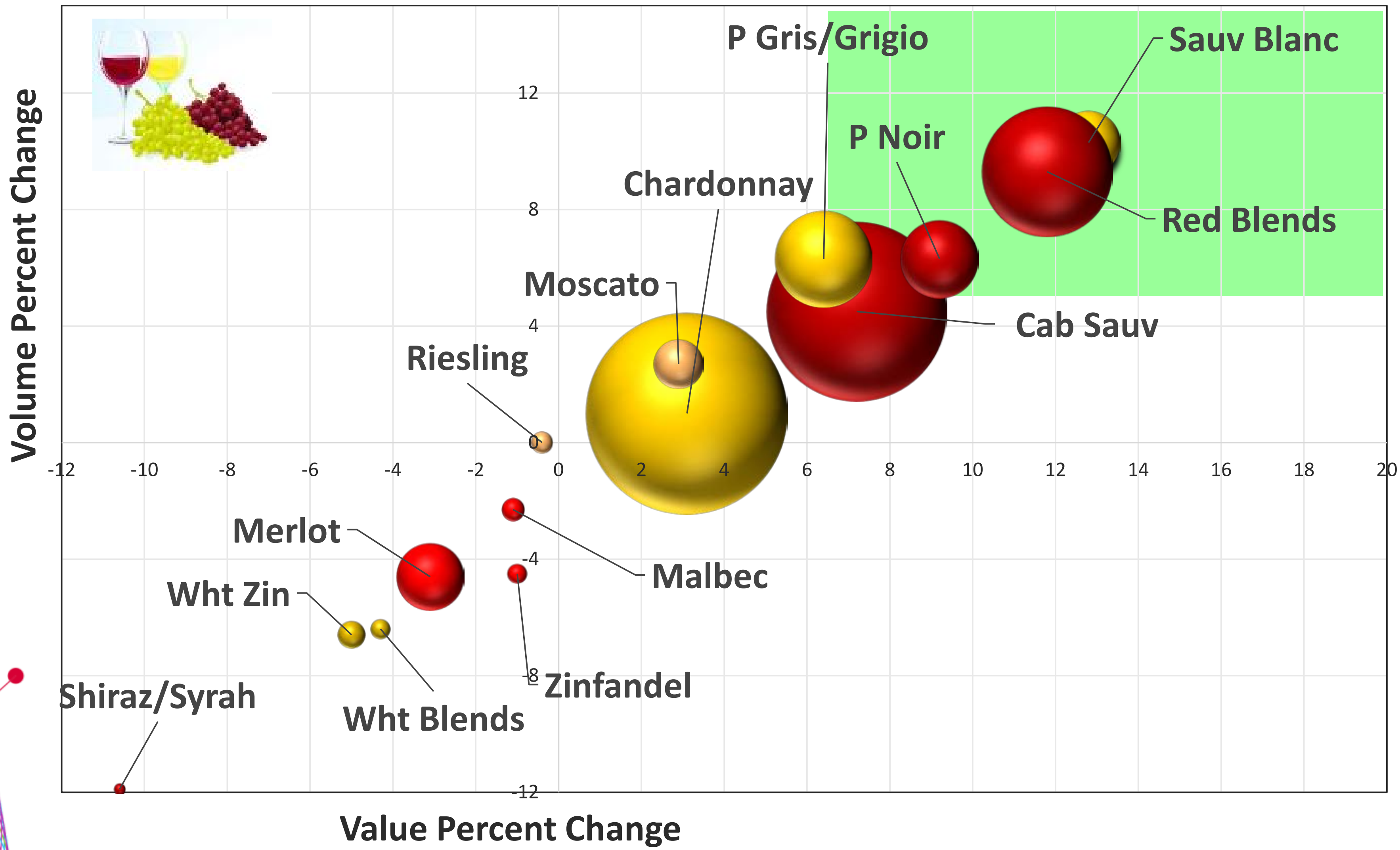
Sales Share		Table Wine	Percent Change		Avg Price/ 750 ml
Value	Volume		Value	Volume	
73.6%	75.0%	Domestic	+5.4	+2.4	$6.86
26.4%	25.0%	Imports	+3.5	+0.3	$7.39

Nielsen Measured Off Premise Channels



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016 (Bubble = Annual $ Size)

TABLE - SB, RED BLENDS, PN, PG CAB LEAD



Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016 (Bubble = Annual $ Size); Table Wine

PREMIUM ROSE’ ON FIRE

Just over 1% of Table Wine, but growing at over +40%

Led by…

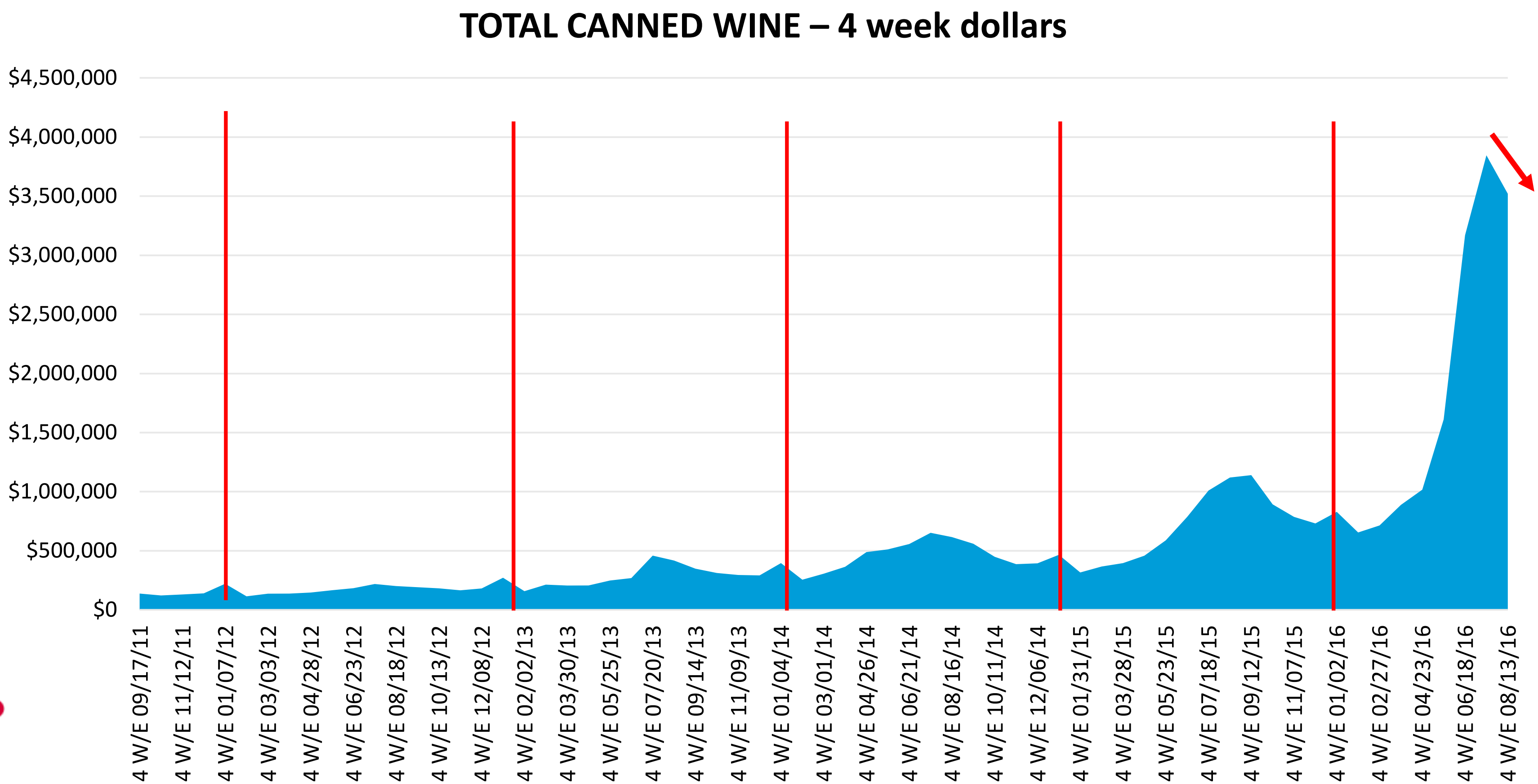
- **Premium Rose’s - $8 and above**
- **France (54% of category), but also U.S. (1/3) and several others**
- **Summer skewed – but does it have to be so lopsided?**
- **Female skewed – but does it have to be?**

Source: Nelsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

CANNED WINES – TREND OR FAD?

CANNED WINE – TREND OR FAD?

$20MM – Annual –expansion primarily this summer



Relative to:

Boxed Wine 1.5/3L	$483MM
Tetra Wine	$153MM

nielsen Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 8-13-2016

Dollars	% Chg vs Yr Ago	Share of Sparkling
Prosecco	+31%	15.7%
Rose’	+17%	8.5%
Champagne FR	+11%	18.2%
Cava	+8%	5.0%

	Dollars	% Chg vs Yr Ago	Share of Table
Package	Cans	***	<1%
	Tetra	+22%	1.1%
	375 ml glass	+15%	<1%
	3L Box	+12%	3.5%
Variety	Rose’	+42%	1.2%
	Sauv Blanc	+13%	5.9%
	Red Blends	+12%	12.1%
Origin	NZ	+16%	2.7%
	Oregon	+16%	1.0%
	France	+16%	2.4%
	Portugal	+14%	<1%

nielsen Source: Nielsen Total U.S. All Outlets (xAOC + Liquor Plus + Conv + Military); 52 w/e 7-16-2016

GENERALLY….

1. Stay attuned to consumer/shopper trends – initiate, or at least be a 'fast' follower
   - Chase the consumer/shopper first – competition after
   - get in, get out, or just stay out…

2. What do you offer that is unique/different? Is it incremental?
   - you'll need to generate velocity/turns to stay

3. Keep the message 'simple' –
   - consumers, especially Millennials, care most about taste, price, authenticity, what their friends say – and like to explore
   - too much complexity and 'industry speak' can be confusing, or meaningless
   - tell your BRAND story – interestingly, visually, authentically

4. It's about - the right product(s) the right retailer(s)/store(s)

Thank You! Cheers

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